



**Office of the Comptroller of the Currency
Administrator of National Banks**

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

April 22, 1997

**First National Bank
Charter Number: 7937
105 Arbor Drive
Post Office Box 600
Christiansburg, Virginia 24073**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank of Christiansburg, Virginia**, prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **December 31, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act (CRA) of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

INSTITUTION AND COMMUNITY PROFILE

First National Bank of Christiansburg is a **\$395 million dollar institution** located in Christiansburg, Virginia. The bank operates eleven office locations in the Montgomery and Pulaski counties and the city of Radford. To help meet the credit needs of its community, the bank offers a variety of banking products and services. These include credit card, small business, residential, consumer, and commercial loans as well as a variety of government-sponsored loan programs. The type and quantity of loans in the bank's portfolio reflects positively on the bank's efforts to meet the credit needs of its community. The loan portfolio is comprised of the following:

FIRST NATIONAL BANK OF CHRISTIANSBURG LOAN PORTFOLIO	
% OF PORTFOLIO	TYPE OF CREDIT EXTENSION
42%	Consumer real estate loans (1-4 family residential, construction, home equity)
37%	Commercial and industrial loans (including non-farm, non-residential real estate)
18%	Consumer loans
2%	Credit card loans
1%	Agricultural loans

DESCRIPTION OF THE DELINEATED COMMUNITY

The bank's delineated community is Montgomery County, the city of Radford, the towns of Dublin and Fairlawn, and part of the town of Pulaski. This area includes 26 block numbering areas, of which 1 is low income, 1 is moderate income, 12 are middle income, 7 are upper income, and 5 are not populated. This community is located in the New River Valley in the southwest portion of Virginia. The area has 393 square miles varying from gently rolling hills to steep mountain terrain.

The bank's delineated community has a total population of 111,969. The area has a stable economy and continues to grow and expand. Montgomery County, in particular, has experienced high growth in recent years. Local economic conditions are very good and recent commercial activity includes Lowes Building Supplies, Walmart Super Store, and numerous restaurants and motels.

The area's major employers are Virginia Tech, Hercules, Inc., Radford University, Pulaski Furniture, and Montgomery County Public Schools. Unemployment is low at 4.9%.

Discussions with bank officials and local community action organizations indicate community credit needs include small dollar consumer loans, real estate loans and flexible small business products. The bank is addressing these needs through existing products. Management entertains all credit requests and has not specified a minimum loan amount. A concentrated effort has been made to meet the credit needs of small businesses.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated “**OUTSTANDING RECORD OF MEETING COMMUNITY CREDIT NEEDS.**”

The major factors supporting this rating include the following:

Lending levels reflect exceptional responsiveness to the credit needs of the community. The bank has demonstrated an excellent penetration of credit extensions to all borrowers regardless of income level. In addition, management and the Board have taken a leadership role in participating in development and redevelopment programs.

BASIS FOR EVALUATION

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **The bank has maintained regular contacts with a large range of individuals and groups representing civic, religious, neighborhood, minority, and small business organizations to determine the credit needs of its community and responded to those needs.**

The bank has a good record of determining the credit needs of its entire community, including low- and moderate-income areas. Credit needs are identified through the bank's **officer call program** and **consumer surveys**.

The **officer call program** is designed to maintain communication with local businesses and attract new customers. As a result of the officer call program, enhancements have been made to traditional bank products and several new products and services have been established. One example involves the bank's X-Press Banking service, which has recently been enhanced to include a merchant check verification feature.

Consumer surveys are conducted to ascertain community credit needs, the quality of banking services and the community's perception of the bank. Survey results indicate that there is a demonstrated need for small dollar consumer loans within the bank's delineated community. Frequently, applicants in need of this type of credit are low- and moderate-income individuals or first time borrowers with limited credit history.

Management has responded by offering a small dollar consumer instalment loan product (\$2,500 or less) to its customers. These funds satisfy a variety of credit needs including auto repairs, medical expenses, home appliance and furniture purchases, home heating fuel, and cash flow during temporary work furloughs. During 1996, the bank generated 489 of these small dollar consumer loans totaling \$800,123, with an average loan amount of \$1,636.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **The Board of Directors is generally involved in Community Reinvestment activities and the Community Reinvestment Act is considered in the bank's planning process.**

The Board supports management's efforts to comply with the requirements of CRA. A CRA program has been established which outlines goals and objectives and provides for an annual self assessment. The Audit and Compliance Committee monitors CRA performance, coordinates training efforts and ensures the technical requirements of the regulation are met.

Directors, senior management, bank officers and employees participate in a variety of organizations which are primarily designed to develop, improve and enhance the community. **One particularly noteworthy example is Chief Executive Officer Hardy's involvement with the New River Valley Economic Development Alliance.** Mr. Hardy is president of this organization which was developed to recruit new business to the area. Other organizations in which the bank is involved include: the Montgomery County Industrial Authority, New Century Council, Small Business Development Center, Farmer's Home Administration, Housing Alliance of the New River Valley, and Virginia Mountain Housing, Inc.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **The bank has implemented effective marketing and advertising programs which inform all segments of the delineated community of available credit services.**

A marketing and advertising program is in place which reaches all segments of the community. Bank services and products are advertised through local radio stations,

newspapers, direct mailings, periodic statement messages, billboards, telephone directories, local Chamber of Commerce offices, and the Internet. This diverse marketing medium allows the bank to inform all segments of its community of types of credit offered at the bank.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **Lending levels reflect exceptional responsiveness to credit needs within the bank's community. A majority of the bank's loans are generated within its delineated community and loan volume, related to resources and community credit needs, is good.**

The bank has undertaken efforts to address a significant portion of the identified community credit needs through the origination of loans. Seventy-five percent (75%) of the number and eighty-two percent (82%) of the dollar amount of all loans generated in 1996 were originated within the local community. In addition, the bank is an active participant in government-sponsored loan programs.

The following chart illustrates the bank's lending volume for both 1995 and 1996.

LOAN ORIGINATIONS				
Loan Type	12 Months Ending December 31, 1995		12 Months Ending December 31, 1996	
	Number	Dollar (000's)	Number	Dollar (000's)
Home Mortgage	210	\$19,199	309	\$24,193
Home Equity	52	\$2,052	92	\$4,191
Small Business	129	\$4,967	327	\$17,593
Small Farm	27	\$969	41	\$1,120
Consumer **	1,511	\$16,841	3,028	\$29,296
Total	1,929	\$44,028	3,797	\$76,393

** Consumer totals include real estate instalment loans. This category includes loans secured by second deeds of trust, home improvement loans, mobile home loans without land as collateral, loans secured by raw land, and all other real estate loans for amounts less than \$25,000.

In addition to the lending efforts reflected above, an additional \$17 million in conventional real estate mortgages were originated and sold in the secondary market during 1995 and 1996.

The bank is an active lender to small businesses. During 1996, the bank originated 327 loans to small business totaling \$18 million. Of this total, 292 loans (89%), totaling \$8 million, were for amounts less than \$100,000.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- **When an identified community credit need exists, the bank takes the initiative to meet that need and actively participates in governmentally-insured, guaranteed, or subsidized loan programs for housing, small businesses, small farms, and rural development.**

The bank is an active participant in a variety of government sponsored loan programs. Lending activity for 1995 and 1996 is summarized below.

PARTICIPATION IN GOVERNMENT SPONSORED LOAN PROGRAMS				
Type of Credit	12 Months Ending December 31, 1995		12 Months Ending December 31, 1996	
	Number	Dollar (000's)	Number	Dollar (000's)
Federal Housing Administration (FHA)	27	\$1,523	32	\$1,957
Veterans Administration (VA)	14	\$1,186	13	\$973
Small Business Administration (SBA)	8	\$1,573	3	\$500
Virginia Housing Development Authority (VHDA)	7	\$440	7	\$460

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of the Delineated Community

- **The bank's delineated community meets the purpose of the CRA and does not exclude low- and moderate-income neighborhoods.**

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications and credit denials.

- **Geographic analysis demonstrates an excellent distribution of credit to all segments of the bank's delineated community as well as borrowers of different income levels, including low- and moderate-income individuals.**

Based on bank generated information, credit is extended throughout the entire community, including low- and moderate-income neighborhoods.

The majority of the bank's delineated community is comprised of middle- and upper-income areas. Nonetheless, credit has been extended throughout the community, including low- and moderate-income areas. In 1996, the bank generated approximately \$8 million in instalment, mortgage, and commercial credits to borrowers residing in low- and moderate-income areas.

The bank has demonstrated an excellent penetration of credit extensions to individuals of different income levels, particularly low- and moderate-income individuals. In 1996, **57%** of the number, and **44%** of the dollar volume, of loans generated were to low- and moderate-income borrowers. **This compares very favorably to the demographics of the community** in which **34%** of the families are considered low- or moderate-income.

The following chart illustrates the bank's lending to borrowers of different incomes during 1996.

CONSUMER LOAN EXTENSIONS TO BORROWERS OF DIFFERENT INCOMES 12 MONTHS ENDING DECEMBER 31, 1996						
	#	% of Total	\$ (000's)	% of Total	Local Demographics (% of Families)	
					#	% of Total
Low-Income Individuals	722	35%**	\$4,291	24%**	4,372	18%
Moderate-Income Individuals	444	22%**	\$3,540	20%**	4,040	16%
Middle-Income Individuals	498	24%**	\$4,637	26%**	5,110	21%
Upper-Income Individuals	372	18%	\$5,331	30%	11,329	46%

** The bank's level of lending to these individuals within the bank's community exceeds the demographics of the area.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- **The bank's offices are readily accessible to all segments of the community. Business hours and services are tailored to the convenience and needs of the community.**

The bank has a good record of opening and closing offices and provides a variety of services to its customers. The bank has never closed an office and continues to expand throughout Montgomery County, Pulaski County, and the City of Radford.

In 1996, the bank opened two new office locations in Shawsville and Dublin and a new corporate headquarters in Christiansburg for a total of eleven office locations. These offices provide business hours and services tailored to meet the needs of the bank's community. Lobby and drive-up hours range from 8:00 a.m. to 6:00 p.m., Monday through Friday and Saturday hours are 9:00 a.m. until noon. The bank provides thirteen automated teller machines for customer use, five of which are stand alone machines.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **The bank solicits credit applications from all segments of the community, including low- and moderate-income areas. No practices were identified which would discourage credit applications on a prohibited basis.**

The Board of Directors has developed written policies and procedures to ensure that the bank does not discourage or prescreen applicants. As a part of this initiative, fair lending training is required of each employee and a “second review” process has been established for all credit denials to ensure applicants are treated equally.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- **The bank is in compliance with all provisions of the antidiscrimination laws and regulations.**

An examination for compliance with the antidiscrimination laws and regulations was performed in conjunction with this examination. No prohibited, discriminatory or other illegal credit practices were noted.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **The bank has maintained, through ongoing efforts, a high level of participation in development and redevelopment programs within its community, often in a leadership role.**

The bank is an active participant in development and redevelopment programs within its community. During 1996, \$7 million (35 loans) in community development loans were originated. This level of lending demonstrates the bank’s strong commitment to the local community. Specific development projects are discussed below.

- **Virginia Mountain Housing, Incorporated (VMH)**

The bank has extended a total of \$1.6 million to this corporation with \$500,000 extended in 1996. VMH is a non-profit corporation organized to improve the quality

of housing for low- and moderate-income families and individuals through rehabilitation and repair, new construction, rental assistance and property management. The corporation serves the entire Commonwealth of Virginia; however, it concentrates its assistance to families and individuals residing in the New River Valley.

- **Montgomery County/Blacksburg/ Christiansburg (MBC) Development Corporation**

The bank has provided capital funds to this non-profit community development corporation. MBC Development Corporation was established to enhance, diversify, and broaden the employment base in Montgomery County and to address the small business needs of the area. The corporation has developed programs and activities that include developing shell building projects, supporting start-up industries, and conducting related community projects. During the past five years, MBC has utilized the bank's capital contribution to finance ten local projects. **This financing provided funds which allowed existing businesses to remain competitive, supplied funding for start-up businesses, and provided funds to businesses which created or retained over 100 jobs in the bank's community.**

- **New River Valley Economic Development Alliance, Incorporated**

The bank has committed \$50,000 in capital funds to this organization. To date, \$30,000 has been funded. This organization's purpose is to attract new basic manufacturing and service employers to the area.

Additionally, the bank continues to invest in local and state bond issues. As of December 31, 1996, the bank's municipal bond holdings in the State of Virginia or cities and communities domiciled in Virginia totaled \$18 million. Of these holdings, \$9 million were within the bank's delineated community.

The bank further supports its community with extensions of letters of credit to local businesses. In 1996, the bank extended 36 letters of credit to local businesses-owners.

Assessment Factor K - The institution's ability to meet various community needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

There are no legal impediments or other factors which limit the bank's ability to meet the credit needs of its community. The bank is a \$395 million institution which had a 1.41% return on assets as of December 31, 1996.

Assessment Factor L - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **The bank is engaged in other meaningful activities which contribute to the bank's efforts to help meet community credit needs.**

The bank participates in a number of activities designed to promote understanding of credit and deposit activities in the community. For example, the bank offers a checkbook management course for students who are first time account holders. In addition, management and bank personnel conduct presentations for community groups and local schools in conjunction with the Virginia Bankers' Association, participate in the Virginia Banker's Association's "Young Bankers Section Bank Day", teach Junior Achievement classes at local schools, and provide tours of the bank. Employee volunteer services are offered to civic and charitable organizations to educate members of the bank's community about credit services.

The bank has also contributed \$34,330 in 1996 to various charities and organizations such as Habitat for Humanity, United Way, the local Chamber of Commerce and local rescue squads and schools.